

## Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 VALLETTA 0794

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TAGS: PINT, PFOR, MT

SUBJ: MALTA - QUARTERLY POLITICAL/ECONOMIC REPORT

REF: VALLETTA 0425 (DTG 080940Z APR 76)

1. SUMMARY. THE LONG AWAITED MALTESE PARLIAMENTARY ELECTION IS ALMOST AT HAND. IF PRIME MINISTER MINTOFF DOES NOT DECIDE ON AN EARLIER ELECTION DATE, PARLIAMENT WILL BE DISSOLVED AUTOMATICALLY IN MID-AUGUST, AND THE ELECTION MUST FOLLOW NOT LATER THAN MID-NOVEMBER. WITH ACTIVE CAMPAIGNING ALREADY WELL UNDERWAY, THIS QUARTERLY REPORT CONCENTRATES ON MALTESE FOREIGN AND DOMESTIC POLICIES WHICH ARE EXPECTED TO BE MAJOR ISSUES IN THE FORTHCOMING ELECTION. OFFICIAL US/MALTESE BILATERAL RELATIONS REMAINED QUIET AND GENERALLY HARMONIOUS DURING THIS QUARTER. END SUMMARY

2. MALTESE FOREIGN POLICY ISSUES. DURING THE PAST FIVE  
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YEARS, PRIME MINISTER MINTOFF'S LABOR GOVERNMENT HAS

TURNED FROM MALTA'S FORMER CLOSE TIES WITH THE UNITED KINGDOM, WESTERN EUROPE AND NATO TOWARD A POLICY OF NON-ALIGNMENT AND IDENTIFICATION WITH THE THIRD WORLD. MALTA HAS BECOME AN OFFICIAL MEMBER OF THE NON-ALIGNED MOVEMENT AND THE GROUP OF 77. AS A RESULT, MALTA'S INTERNATIONAL POSTURE, AND ITS VOTING RECORD AT MULTILATERAL MEETINGS, HAS CHANGED SIGNIFICANTLY FROM ITS PRO-WESTERN IDENTIFICATION OF THE 1960'S.

FURTHERMORE, MINTOFF HAS LED MALTA INTO A SHARPLY PRO-ARAB, ANTI-ISRAELI STANCE IN MIDDLE EASTERN AFFAIRS. THE PRIME MINISTER HAS CULTIVATED AN EXTREMELY CLOSE PERSONAL ASSOCIATION WITH COLONEL QADHAFI, AND ADVOCATED "BROTHERLY" TIES BETWEEN THE LIBYAN AND MALTESE PEOPLES AS BEING IN MALTA'S BEST INTERESTS. QADHAFI HAS STATED PUBLICLY THAT IF MALTA WILL ELIMINATE ITS RELATIONS WITH NATO AND THE WEST, THEN LIBYA WILL THEREAFTER HELP TO ASSURE MALTA'S POLITICAL AND ECONOMIC FUTURE.

MINTOFF HAS TAKEN A FIRM POSITION AGAINST THE PRESENCE OF BOTH THE AMERICAN AND SOVIET FLEETS IN THE MEDITERRANEAN, AND HE FOUGHT STRONGLY AT CSCE FOR THEIR REMOVAL FROM THE AREA. HE HAS DENIED ACCESS BY EITHER FLEET TO MALTA AND ADVOCATES TURNING THE MEDITERRANEAN INTO A "SEA OF PEACE" WITHOUT SUPPER POWER INVOLVEMENT. TO CAP HIS ANTI-AMERICAN/ ANTI-SOVIET POSTURE, MINTOFF HAS INTRODUCED A SIGNIFICANT CHINESE TECHNICAL ASSISTANCE PRESENCE IN MALTA AND IN EXCHANGE, STRONGLY SUPPORTED CHINESE POLICIES IN SOUTHEAST ASIA AND KOREA.

PERHAPS THE MOST SIGNIFICANT FOREIGN POLICY CHANGE WHICH MINTOFF HAS BROUGHT TO MALTA HAS BEEN HIS INSISTENCE THAT THE ISLAND MUST LOSE ITS HISTORICAL "FORTRESS IMAGE", AND THAT ALL "FOREIGN" (I.E. BRITISH) MILITARY FORCES MUST LEAVE PERMANENTLY. AS A RESULT OF MINTOFF'S DEMANDS, THE MALTESE-U.K. MILITARY FACILITIES AGREEMENT PROVIDES THAT ALL BRITISH FORCES WILL HAVE LEFT MALTA BY MARCH 31, 1979. WHEN THAT HAPPENS, MORE THAN 150 YEARS OF MODERN MALTESE TRADITION WILL HAVE COME TO AN END, WITH ALL OF THE POLITICAL AND SECURITY QUESTIONS WHICH THAT WILL

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INVOLVE.

THESE MINTOFFIAN IDEAS HAVE BEEN VERY CONTROVERSIAL IN MALTA. AS A RESULT, THE ENTIRE SPECTRUM OF LABOR FOREIGN POLICY WHICH HAS EVOLVED SINCE 1971 WILL CERTAINLY BE A MAJOR ISSUE IN THE FORTHCOMING PARLIAMENTARY ELECTION.

PERHAPS TO OVERSIMPLIFY, THE BASIC QUESTION WHICH THE

MALTESE ELECTORATE MUST DECIDE IS WHETHER THEY WISH TO CONTINUE MOVING IN THE "NEUTRALIST", THIRD WORLD DIIRECTION WHICH MINTOFF AND THE LABORITES HAVE CHARTED; OR WHETHER THEY PREFER TO TURN BACK TOWARD A MORE EUROPEAN-ORIENTED POSUTRE, AS REPRESENTED BY THE OPPOSITION NATIONALISTS.

LOOMING IN THE BACKGROUND OF THIS ISSUE IS MINTOFF'S HEAVY-HANDED COURTING OF QADHAFI. MANY MALTESE, EVEN LABORITES, ARE HIGHLY SUSPICIOUS OF QADHAFI'S RELIABILITY AND HIS INTENTIONS TOWARD MALTA. THEY WOULD NOT WANT TO SEE THE BRITISH MILITARY PRESENCE HERE REPLACED BY LIBYAN CONTROL IN THE 1980'S.

BOTH MALTESE POLITICAL PARTIES CLAIM THEY WOULD PREFER A TRULY INDEPENDENT STANCE FOR MALTA, WITH THE DIFFERENCE BETWEEN THEM ARISING FROM HOW BEST TO ACHIEVE THIS. DURING HIS TERM OF OFFICE, MINTOFF HAS BEEN ABLE TO SEEK CLOSER IDENTIFICATION WITH THE RADICAL POLICIES OF THE THIRD WORLD WITHOUT TOO MUCH CONCERN, BECAUSE THE BRITISH PRESENCE HAS ASURED THE MALTESE OF SECURITY AND STABILITY WHILE HE WAS DOING SO.

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ALTHOUGH THE BRITISH PRESENCE WILL CONTINUE FOR SEVERAL MORE YEARS BEYOND THE FORTHCOMING ELECTION, MALTA'S FUTURE AFTER 1979 CANNOT HELP BUT BE A MAJOR QUESTION IN THE VOTER'S MINDS DURING THE CAMPAIGN.

3. MALTESE DOMESTIC POLICY ISSUES. THERE ARE MANY CROSS-CURRENTS OF DOMESTIC POLICY WHICH WILL HAVE AN EFFECT ON THE FORTHCOMING MALTESE ELECTION. MINTOFF'S LABOR GOVERNMENT DOUBTLESS WILL CAMPAIGN LARGELY ON ITS RECORD OF THE PAST FIVE YEARS, WITH CLAIMS OF GREAT SUCCESS IN EVERY FIELD, WHILE CONTRASTING THIS WITH WHAT IT DESCRIBES AS "NINE YEARS OF CORRUPTION AND FAILURE" UNDER THE PREVIOUS NATIONALIST ADMINISTRATION.

THE LABOR RECORD IS IMPRESSIVE IN MANY AREAS. THEY HAVE CONTROLLED INFLATION REASONABLY WELL, AND ESTABLISHED SUBSTANTIALLY INCREASED SALARIES, HIGHER MINIMUM WAGES, AND IMPROVED WORKING CONDITIONS FOR MOST MALTESE WORKERS. THEY HAVE SIGNIFICANTLY IMPROVED SOCIAL BENEFITS FOR

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ALMOST ALL MALTESE, INTRODUCING CHILDREN'S ALLOWANCES, "CHRISTMAS/ BONUSES (A VERSION OF THIRTEEN-MONTH WAGE PAYMENTS) AND BETTER HEALTH AND RETIREMENT BENEFITS. THEY HAVE PLACED CONSIDERABLE EMPHASIS ON A PUBLIC HOUSING PROGRAM. HOWEVER, ALL OF THESE ACTIVITIES HAVE BEEN AT THE EXPENSE OF HIGHER TAXES, REDUCED PROFITS FOR THE PRIVATE SECTOR, AND DECLINING CONFIDENCE AMONG BUSINESSMEN AND INDUSTRIALISTS.

MOREOVER, THE LABOR GOVERNMENT HAS SUFFERED ONE MAJOR FAILURE IN THE DOMESTIC AREA. LIKE EARLIER NATIONALIST GOVERNMENTS, THE LABORITES HAVE BEEN COMPLETELY UNABLE TO FIND THE ANSWER TO MALTA'S HISTORIC AND ENDEMIC PROBLEM OF THE LACK OF SUFFICIENT PRODUCTIVE JOBS FOR ITS POPULATION.

THE PREVIOUS NATIONALIST ADMINISTRATION EMPHASIZED PRIVATE (INCLUDING FOREIGN) INVESTMENT AND EMIGRATION AS THE BEST ANSWERS TO DOMESTIC UNEMPLOYMENT. IN TRADITIONAL SOCIALIST FASHION, MINTOFF'S LABOR GOVERNMENT HAS TURNED ITS BACK ON "CAPITALIST" SOLUTIONS, IN THE PROCESS DOING AWAY WITH SEVERAL INVESTMENT INCENTIVE PROGRAMS ESTABLISHED BY THE NATIONALIST GOVERNMENT, AND EXPANDED STATE-OWNED AND PARASTATAL ACTIVITIES INSTEAD.

ALONG WITH THIS, MINTOFF HAS CONDUCTED A VERY HEAVY-HANDED GOVERNMENT TAKEOVER CAPAIGN IN KEY BUSINESS AND INDUSTRIAL SECTORS, INCLUDING TLECOMMUNICATIONS, RADIO

AND TELEVISION BROADCASTING, BANKING, AND AIR AND SEA TRANSPORTATION. HE HAS, IN THE PROCESS BADLY UNDERMINED THE LOCAL INVESTMENT CLIMATE. MINTOFF HAS ALSO BEEN FORCED TO RESCUE A NUMBER OF UNPROFITABLE PRIVATE FIRMS FROM BANKRUPTCY THROUGH STATE INTERVENTION, WHEN INTERNATIONAL RECESSION AND THE LACK OF DOMESTIC CONFIDENCE ADVERSELY AFFECTED THE MALTESE ECONOMY.

MINTOFF'S MAJOR SOLUTION TO DOMESTIC EMPLOYMENT, AND DOUBTLESS ONE OF HIS MOST CONTROVERSIAL ECONOMIC POLICIES, HAS BEEN THE ESTABLISHMENT OF A NUMBER OF GOVERNMENT-FINANCED AND CONTROLLED "MAKE-WORK" JOB CORPS. THIS HAS RESULTED IN THOUSANDS OF MEN AND WOMEN BEING PUT ON THE RATHER GENEROUS PUBLIC DOLE AND ASSIGNED TO VARIOUS CONFIDENTIAL

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RELATIVELY INEFFICIENT AND OFTEN NON-PRODUCTIVE WORK PROJECTS. THE PARA-MILITARY NATURE OF THESE JOB CORPS HAS RAISED MANY QUESTIONS, DUE TO THE FACT THAT THEIR MEMBERS ARE DENIED BASIC WORKERS' RIGHTS. DESPITE THESE CORPS, UNEMPLOYMENT ALSO CONTINUES AT A HIGH LEVEL FOR THIS SMALL COUNTRY. MINTOFF HAS JUST NOT BEEN ABLE TO EXPAND MALTA'S INDUSTRIAL BASE SUFFICIENTLY TO ABSORB ITS EXPANDING WORK FORCE.

HOVERING OVER THE BASIC DOMESTIC PROBLEM OF UNEMPLOYMENT, IS THE FORTHCOMING WITHDRAWAL OF THE BRITISH MILITARY FORCES DURING 1977-1979. NOT ONLY WILL THIS RESULT IN A SIGNIFICANT DECREASE IN THE NUMBER OF GAINFULLY-EMPLOYED MALTESE OVER THE NEXT SEVERAL YEARS, BUT WITH THE EXPIRATION OF THE MILITARY FACILITIES AGREEMENT, MALTA ALSO WILL LOSE SOME \$80 MILLION ANNUALLY IN DIRECT AND INDIRECT INCOME FROM NATO-FINANCED "BASE-RENTAL" PAYMENTS AND LOCAL BRITISH EXPENDITURES. THERE IS NO ALTERNATIVE SOURCE OF INCOME IN VIEW TO REPLACE THIS CRUCIAL SUPPORT TO THE MALTESE ECONOMY. WITHOUT IT, THE PRESENT MALTESE STANDARD OF LIVING WOULD NOT BE SUPPORTABLE.

NEITHER MALTESE POLITICAL PARTY HAS A FIRM ANSWER TO THIS VERY BASIC ISSUE. IT IS PROBABLY THAT BOTH WOULD LIKE TO CONTINUE TO "SELL" MALTA TO ONE OR ANOTHER BIDDER IN ORDER TO KEEP THE ECONOMY INTACT, BUT WITHOUT OFFERING THE ACTUAL USE OF MILITARY FACILITIES OR PERHAPS HOPE THAT NATO, IN SOME FASHION, WILL CONTINUE TO SUPPORT MALTA FINANCIALLY. MINTOFF HAS VAGUER IDEAS, INVOLVING SOME COMBINATION OF EUROPEAN AND ARABIC MEDITERRANEAN COUNTRIES, INCLUDING HIS FRIEND QADHAFI, AS THE GUARANTORS OF MALTA'S NEUTRALITY.

THIS MUCH IS CLEAR. ECONOMIC SURVIVAL IN THE 1980'S

AND THE ATTENDANT POLITICAL AND SECURITY QUESTIONS WHICH THIS INVOLVES, WILL BE A MAJOR ELECTORAL ISSUE. THE MALTESE ARE ACCUSTOMED TO BEING SUPPORTED BY SUBSTANTIAL SUBSIDIES FROM ABROAD, AND IT WILL BE DIFFICULT FOR EITHER THE LABORITES OR THE NATIONALISTS TO PRESENT THE ELECTORATE WITH A CONVINCING ANSWER TO THIS FUTURE PROBLEM.

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4. THE ELECTION: PARTIES, PERSONALITIES AND PROCEDURES.  
THE PRESENT MALTESE PARLIAMENT WILL COMPLETE ITS FIVE-YEAR TERM ON AUGUST 15 UNLESS PRIME MINISTER MINTOFF DECIDES ON AN EARLIER DISSOLUTION. UNDER THE CONSTITUTION, THE GENERAL ELECTION MUST FOLLOW NOT LATER THAN THREE MONTHS AFTER DISSOLUTION. THE ELECTION COULD, THEREFORE, OCCUR AT ANY

TIME THIS SUMER OR FALL, UP UNTIL THE WEEKEND OF NOVEMBER 12-13.

BOTH POLITICAL PARTIES HAVE LONG SINCE BEEN CAMPAIGNING IN EARNEST. THE ONLY REMAINING STEPS TO BE TAKEN BY THE PARTIES ARE THE OFFICIAL RELEASE OF THEIR LISTS OF CANDIDATES, AND THE PUBLICATION OF THEIR ELECTORAL PROGRAMS. THESE PARTY MANIFESTOES TEND TO BE WIDE-RANGING AND COVER A LARGE NUMBER OF ISSUES, MANY OF WHICH ARE ONLESOF LIMITED SIGNIFICANCE TO THE ELECTION. THE FOREIGN AND DOMESTIC POLICY PROBLEMS CITED ABOVE WILL CERTAINLY RECEIVE MAJOR ATTENTION BY BOTH PARTIES IN THEIR MANIFESTOES.

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DESPITE THE VERY REAL ISSUES WITH WHICH THE MALTESE ELECTORATE MUST GRAPPLE, THE OUTCOME WILL REST TO A SIGNIFICENT EXTENT ON THE PERSONALITIES OF THE TWO PARTY LEADERS AND THEIR SUPPORTING CANDIATES.

THE LABOR PARTY IS IDENTIFIED ALMOST TOTALLY WITH THE ECCENTRIC AND FLAMBOYANT DOM MINTOFF, AND THE EXTENSIVE PERSONALITY CULT WHICH HAS GROWN UP AROUND HIM AS PARTY AND PARLIAMENTARY LEADER OVER THE YEARS.

THE NATIONALIST PARTY, ON THE OTHER HAND, IS MORE NEARLY A COLLECTION OF INDIVIDUALISTS WITHOUT A STRONG SENSE OF PURPOSE, OTHER THAN SOMEWHAT VAGUE COMMITMENTS TO FREE ENTERPRISE AND THE RESTORATION OF MALTA'S TRADITIONAL WESTERN TIES. THE WEAK, INEFFECTUAL OPPOSITION

LEADER, GIORGIO BORG OLIVIER, IS NO MATCH FOR MNTOFF IN THE PERSONALITY SWEEPSTAKES.

HOWEVER, MALTA'S ELECTORAL SYSTEM IS A VERY COMPLICATED ONE, WITH A TRANSFERABLE VOTE PROCEDURE THAT PLACES MORE EMPHASIS ON THE RELATIVE APPEAL OF SECONDARY CANDIDATES THAN THAT OF THE PARTY LEADERS. THERE ARE THIRTEEN ELECTORAL DISTRICTS AND SISTY-FIVE PARLIAMENTARY SEATS AT STAKE. WITH AN ALMOST ENDLESS LIST OF CANDIDATES AND ONLY 218,000 ELIGIBLE VOTERS, LITERALLY EVERY VOTE WILL COUNT (AND MORE THAN ONCE UNDER THE MALTESE PREFERENCE SYSTEM).

IN THE 1971 ELECTION, CANDIDATES WERE ELECTED WITH AS FEW AS 500 DIRECT VOTES ON THE FIRST "COUNT", AND THE FINAL OVER-ALL RESULT WAS EXTREMELY CLOSE, WITH THE LABOR PARTY WINNING ONLY A ONE-SEAT PARLIAMENTARY MAJORITY AND 4,600 VOTES MORE THAN THE NATIONALISTS.

THIS YEAR, THE VOTING IS AGAIN EXPECTED TO BE CLOSE. THE GENERAL CONSENSUS HAS BEEN THAT MINTOFF AND THE LABORITIES HAVE ENJOYED A LIMITED, BUT DECIDED ADVANTAGE OVER THE NATIONALISTS. HOWEVER, THERE IS NOW SOME FEELING THAT THERE MAY BE A SWING AMONG THE "UNDECIDED" AND "FLOATING" VOTERS BACK TOWARD THE NATIONALISTS. IN 1971, CONFIDENTIAL

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THE "TIME FOR A CHANGE" ATTITUDE AMONG THIS GROUP OF VOTERS WORKED IN MINTOFF'S FAVOR. IN 1976, THERE COULD BE A REVERSAL OF THIS EFFECT.

IN ANY EVENT, THERE ARE MANY UNKNOWNNS. THERE ARE NO BY-ELECTIONS OR PUBLIC OPINION POLLS IN MALTA, AND 40,000 VOTERS HAVE NEVER PARTICIPATED IN AN ELECTION BEFORE (THE MINIMUM VOTING AGE RECENTLY WAS LOWERED FROM 21 TO 18). SO DESPITE THE FACT THAT PARTY LEADERS ON BOTH SIDES CLAIM THEY ARE CONFIDENT OF VICTORY, NO ONE CAN REALLY BE CERTAIN OF THE OUTCOME. BUT AFTER FIVE YEARS WITHOUT AN OPPORTUNITY TO EXPRESS THEIR APPROVAL OR DISAPPROVAL OF MINTOFF'S VARIOUS ACTS OF SHOWMANSHIP, THE MALTESE POEPLER ARE AT LEAST READY TO HAVE THEIR SAY.

5. BILATERAL RELATIONS. PRIME MINISTER MINTOFF IS STILL PRESSING HARD THROUGH EVERY POSSIBLE CHANNEL FOR A MEETING WITH SECRETARY KISSINGER PRIOR TO THE MALTESE ELECTIONS. EVEN THOUGH HE IS PROBABLY AWARE OF THE UNLIKELIHOOD OF SUCH A MEETING BEFORE THE ELECTION, MINTOFF REFUSES TO TAKE "NO" FOR AN ANSWER. BECAUSE OF MINTOFF'S CLEAR DESIRE TO UTILIZE THE PROPOSED MEETING TO GAIN A CAMPAIGN ADVANTAGE OVER THE OPPOSITION NATIONALIST PARTY, THIS WILL REMAIN AN IRRITANT TO OUR BILATERAL RELATIONS AT LEAST UNTIL THE ELECTION IS OVER.

EXCEPT FOR THIS IRRITANT, HOWEVER, OFFICIAL U.S./MALTESE RELATIONS WERE QUIET AND GENERALLY HARMONIOUS DURING THIS QUARTER, AND THE EMBASSY CONTINUED TO HAVE EXCELLENT ACCESS TO SENIOR OFFICIALS OF THE GOM.

THE NEW U.S. PEACE CORPS VETERINARIAN ARRIVED IN MALTA DURING THE QUARTER AND IS NOW ENGAGED IN PROJECTS RECOMMENDED BY THE GOM MINISTRY OF AGRICULTURE AND FISHERIES.

THE GOM WAS ABLE TO UTILIZE ALMOST THE ENTIRE FIVE MILLION DOLLAR USG SUPPORTING ASSISTANCE LOAN BEFORE THE LOAN TERMINATION DATE OF JUNE 15, 1976. THE UNDISBURSED AMOUNT WAS REPORTED BY AID/W TO BE ONLY SOME DOLLARS 20,720 AS OF JUNE 30. CONFIDENTIAL



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WITH THE TERMINATION OF THE SUPPORTING ASSISTANCE  
LOAN, THE PEACE CORPS VETERINARIAN PROJECT IS THE ONLY  
REMIANING BILATERAL U.S. PROGRAM IN MALTA. SMITH

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